

**RETIREMENT BOARD MEETING
NOVEMBER 14, 2008**

**ITEM VIII. AUTHORIZATION TO PROCEED
WITH REGULATORY PLAN AMENDMENTS**



City of Rockville
MEMORANDUM

November 14, 2008

TO: Retirement Board

FROM: Gavin Cohen, Executive Secretary

A handwritten signature in black ink, appearing to read "Gavin Cohen", is written over the printed name.

SUBJECT: Authorization to proceed with Regulatory Retirement Plan (Plan) Amendments

Recommendation:

Staff recommends that the Board authorize Barbara Schlaff from Venable, the Plan's legal counsel, to make the necessary Plan changes in compliance with Section 401(a) of the Internal Revenue Code (IRC).

Discussion:

Attached is an executive summary of Plan amendments, prepared by Venable, that need to be made to ensure that the City's Pension Plan is in compliance with the IRC Code and retains its qualified status.

Being a qualified Plan conveys significant tax benefits to employers and employees. As the City is tax exempt, the most significant benefit is that an employee is not considered to be in receipt of taxable income until benefits are distributed, even though the employee may be fully vested.

Legal Counsel is currently working on the exact Plan language to incorporate. The Plan language changes will be taken to the Mayor and Council in January 2009 for approval, prior to a determination letter being sent to the IRS.

Attachments: City of Rockville Pension Plan Amendment – Executive Summary
IRS Determination letter 2003

CITY OF ROCKVILLE PENSION PLAN AMENDMENT

EXECUTIVE SUMMARY

The City of Rockville Pension Plan is a qualified plan under Section 401(a) of the Internal Revenue Code. The last formal determination of its qualified status was issued by the IRS in 2003, based upon the City's submission of a plan document, effective as of December 10, 2001.

Since 2001, the Pension Plan has been amended four times for both statutory changes and for discretionary changes which were desired by the City. In order to maintain the Pension Plan's formal qualified status, the City must restate the Pension Plan, incorporating the four previous amendments, as well as additional technical changes, and resubmit it to the IRS by January 31, 2009.

The new technical changes which are required by the IRS are nominal and should have little, if any, impact upon the operation or cost of the Pension Plan. They consist, among other things, of:

- An update to the maximum benefit payment limitations under the plan
- Expansion of the classes of plans permitted to be rollover recipients
- Expansion of the classes of distributees permitted to execute rollovers

We recommend that the Retirement Board delegate to Staff the responsibility for the preparation of an amended and restated plan document for approval by the Mayor and City Council, and the completion of the IRS application for a determination letter as to the continued qualified status of the Pension Plan.

INTERNAL REVENUE SERVICE
P. O. BOX 2508
CINCINNATI, OH 45201

DEPARTMENT OF THE TREASURY

Date: APR 10 2003

Employer Identification Number:
52-6001573

DLN:
17007098001002

Person to Contact:
ROMAN TANJUAKIO

ID# 95082

Contact Telephone Number:
(877) 829-5500

Plan Name:
CITY OF ROCKVILLE PENSION PLAN

Plan Number: 001

CITY OF ROCKVILLE
111 MARYLAND AVE
ROCKVILLE, MD 20850

Dear Applicant:

We have made a favorable determination on the plan identified above based on the information you have supplied. Please keep this letter, the application forms submitted to request this letter and all correspondence with the Internal Revenue Service regarding your application for a determination letter in your permanent records. You must retain this information to preserve your reliance on this letter.

Continued qualification of the plan under its present form will depend on its effect in operation. See section 1.401-1(b)(3) of the Income Tax Regulations. We will review the status of the plan in operation periodically.

The enclosed Publication 794 explains the significance and the scope of this favorable determination letter based on the determination requests selected on your application forms. Publication 794 describes the information that must be retained to have reliance on this favorable determination letter. The publication also provides examples of the effect of a plan's operation on its qualified status and discusses the reporting requirements for qualified plans. Please read Publication 794.

This letter relates only to the status of your plan under the Internal Revenue Code. It is not a determination regarding the effect of other federal or local statutes.

This determination letter is applicable for the plan adopted on 12/10/01.

This letter may not be relied on with respect to whether the plan satisfies the requirements of section 401(a) of the Code, as amended by the Economic Growth and Tax Relief Reconciliation Act of 2001, Pub L. 107-16.

The requirement for employee benefits plans to file summary plan descriptions (SPD) with the U.S. Department of Labor was eliminated effective August 5, 1997. For more details, call 1-800-998-7542 for a free copy of the SPD card.

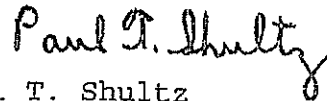
Letter 835 (DO/CG)

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CITY OF ROCKVILLE

If you have questions concerning this matter, please contact the person whose name and telephone number are shown above.

Sincerely yours,



Paul T. Shultz
Director,
Employee Plans Rulings & Agreements

Enclosures:
Publication 794

Letter 835 (DO/CG)